

## Measures for Major Risks

We evaluate each risk from the perspective of the level of impact and probability, identify material risks and take measures against them.

Classification		Description of the risk	Status of risk response
<b>Disaster risk</b> 	Natural disasters and man-made disasters	<ul style="list-style-type: none"> <li>Possibility that our customers, buildings and facilities may be damaged and the business results and financial condition may also be affected (in the event of a large-scale natural disaster, such as an earthquake, windstorm or flooding, or a man-made disaster, such as fire or a terrorist attack)</li> </ul>	<ul style="list-style-type: none"> <li>Renewing our buildings to become compatible with business continuity measures</li> <li>Strengthening resilience through developing BCP and holding drills</li> </ul>
	Spread of infectious disease	<ul style="list-style-type: none"> <li>Possibility that the spread of life-threatening infectious diseases may affect the Company's business results and business activities</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining the health and safety of employees by revising work regulations including on remote work and a flextime system, and implementation of infection control measures</li> </ul>
<b>Operating risk</b> 	Land and building rental business	<ul style="list-style-type: none"> <li>Possibility that lower rents and higher vacancy rates may affect the Company's business results due to the impact of economic trends, performance of tenant companies, and fluctuations in building supply and demand</li> <li>Possibility that the business results may fluctuate significantly due to a large amount of real estate acquisition tax or registration license tax at the time of real estate acquisition being recorded as an expense</li> </ul>	<ul style="list-style-type: none"> <li>Minimizing the impact of market fluctuations by developing business with diversified asset types</li> </ul>
	Regional concentration	<ul style="list-style-type: none"> <li>Possibility that the business results may be significantly affected by a large-scale disaster and fluctuations in the supply and demand trends for real estate leasing in the Osaka area due to the concentration of properties in the Kansai area (particularly in Osaka-shi)</li> </ul>	<ul style="list-style-type: none"> <li>More investments outside the Kansai area, mainly in the Tokyo metropolitan area, to reduce the regional concentration risk</li> </ul>
	Dependence on specific clients	<ul style="list-style-type: none"> <li>Possibility that the Company's business results may be impacted by the performance of three clients that provide over 10% of all net sales</li> </ul>	<ul style="list-style-type: none"> <li>Diversifying our tenants through development and acquisition of properties</li> <li>Offering appropriate services and building stronger relationships with tenants in order to reduce risks of tenants moving out and to maintain and improve our fee levels</li> </ul>
	Fluctuation in resource prices	<ul style="list-style-type: none"> <li>Possibility of increase in development costs due to higher prices of building materials</li> </ul>	<ul style="list-style-type: none"> <li>Advancing the schedule of renovations and repairs in anticipation of a surge in material prices</li> </ul>
<b>Climate change risk</b> 	Transition risk	<ul style="list-style-type: none"> <li>Possibility of increase in costs and tax burden in response to stricter energy conservation regulations and the introduction of a carbon tax</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening efforts to promote energy savings</li> <li>Introduction of renewable energy</li> </ul>
	Physical risk	<ul style="list-style-type: none"> <li>Possibility that our customers, buildings and facilities may be damaged and the business results and financial condition may also be affected due to intensification of windstorm or flooding</li> </ul>	<ul style="list-style-type: none"> <li>Reducing the risk of submersion by relocating critical facilities to upper floors and installing flood-control panels</li> <li>Strengthening resilience through preventive maintenance, developing BCP, and holding drills</li> </ul>
<b>Financial risk</b> 	Fluctuation in asset values	<ul style="list-style-type: none"> <li>Possibility that impairment losses may be recognized in the event of a fall in market prices of our assets (such as land, buildings, and investment securities) or a decline in profitability</li> </ul>	<ul style="list-style-type: none"> <li>Preventing profitability decline by diversifying property locations, investing in properties with prime locations, increasing property value, etc.</li> <li>Examining investment securities individually on an annual basis at the Board of Directors' Meeting as well as selling securities that are deemed to have little significance</li> </ul>
	Dependency on interest-bearing debt	<ul style="list-style-type: none"> <li>Possibility that rising interest rates on interest-bearing debt may affect the Company's business results</li> </ul>	<ul style="list-style-type: none"> <li>Implementing financial controls by aiming to maintain and improve external ratings</li> <li>Maintaining fiscal discipline as outlined in the Long-Term Business Plan and maintaining a sound financial position</li> <li>Leveraging the previous years' low interest environment to fix interest rates and prolonging the average repayment period</li> </ul>
	Amendments to laws, regulations, and tax systems	<ul style="list-style-type: none"> <li>Possibility that any changes to the laws and regulations related to real estate and construction may restrict the execution of operations in the building lease business and building management business and affect the business results</li> <li>Possibility that changes in tax and accounting systems may affect the Company's business results and financial condition</li> </ul>	<ul style="list-style-type: none"> <li>Gathering appropriate information on related laws, regulations, tax systems, and accounting systems, and disclosing the impact</li> </ul>
<b>Compliance risk</b> 	Violation of laws, regulations, etc.	<ul style="list-style-type: none"> <li>Possibility that penalties, compensation, etc. may arise from violation of laws, regulations, etc.</li> <li>Possibility that a loss of social credibility may result in significant restriction on business activities and significant impact on the Company's business performance and financial conditions</li> </ul>	<ul style="list-style-type: none"> <li>Selecting Compliance Committee members from various departments and regularly verifying the status of initiatives in the departments</li> <li>Using the Compliance Committee to disseminate information on compliance with laws, regulations, etc. through training sessions and other means</li> </ul>
<b>Information risk</b> 	Information security	<ul style="list-style-type: none"> <li>Possibility of loss of social credibility, tenants moving out, and claims for damages, due to leakage of important information caused by virus infections, cyberattacks, etc. or damages caused by unauthorized access</li> </ul>	<ul style="list-style-type: none"> <li>Establishing regulations and management systems, educating employees, and implementing security measures to prevent virus infections and unauthorized access</li> </ul>

## Initiatives for BCP

Among the risks surrounding our business, we recognize natural disasters and man-made disasters in particular as material risks that could have a significant impact on our business continuity and financial position. We are taking various measures aimed at protecting the lives and property of our stakeholders through business continuity or early recovery in the event of a disaster.

### Countermeasures

Buildings	<ul style="list-style-type: none"> <li>Construction of disaster-resistant buildings</li> </ul>
Initiatives for employees	<ul style="list-style-type: none"> <li>Developing BCP</li> <li>BCP training, communication training</li> <li>BCP education</li> </ul>
Initiatives for customers	<ul style="list-style-type: none"> <li>Joint disaster readiness training with partner companies</li> <li>Establishment of communication system with tenants</li> </ul>
Collaboration with partner companies	<ul style="list-style-type: none"> <li>Developing BCP</li> <li>Securing of multiple means of communication</li> <li>Joint preparation of emergency response manuals for each building</li> </ul>